

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 DOTE-00 FEA-01 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
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TAGS: ETRD EEC JA

SUBJECT: EC-JAPAN TRADE TALKS: AN UPDATE

REF: (A) EC BRUSSELS 1225 (B) EC BRUSSELS 1269

(C) OECD PARIS 4431

1. IN CONVERSATION WITH MISSION OFFICER FEBRUARY 14, COMMERCIAL COUNSELOR AT JAPANESE MISSION HERE OFFERED A RUN-DOWN ON CURRENT STATE OF PLAY IN SEVERAL AREAS OF EC-JAPAN TRADE RELATIONS, NOTABLY SHIPBUILDING, BALL BEARINGS, EC FOOD EXPORTS AND SPECIALTY STEEL. TH IS SOURCE SEEMED PARTICULARLY CONCERNED BY THE EC DECISION TO IMPOSE AN ANTI-DUMPING DUTY ON JAPANESE BALL BEARING EXPORTS. HIS COMMENTS FOLLOW: (A) SHIPBUILDING. JAPANESE MISSION OFFICER REPORTED ON OECD DISCUSSION OF SHIPBUILDING ALONG LINES OF REFTEL C. HE ADDED THAT THE JAPANESE HAD INFORMED THE EC THAT THEY WOULD CONSIDER THE LIMITED OFFICIAL USE

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POSSIBILITY OF REVISING THEIR PRESENT GUIDELINES, CALLING FOR A 50 PERCENT JAPANESE SHARE OF WORLDWIDE (NOT JUST OECD) SHIPBUILDING PRODUCTION, DOWNWARD IF CONDITIONS IN EUROPE CONTINUED BAD BEYOND PRESENT PERIOD. WHAT HE HAD IN MIND WAS A VERY MINOR FURTHER REDUCTION PERHAPS TO 48 OR 45 PERCENT. HE ALSO OFFERED CONSIDERABLE DETAIL ON THE TWO DEFINITE JAPANESE PROPOSALS MADE IN PARIS LAST WEEK I.E. (A) TO UNDERTAKE TO RAISE EXPORT PRICES AND (B) TO EN-

COURAGE EFFORTS BY THE JAPANESE INDUSTRY TO RESTRAIN EXPORTS OF SHIPS TO EUROPEAN COUNTRIES HAVING EXCEPTIONAL DIFFICULTIES. ON POINT A, HE EXPLAINED THAT IT WILL BE DIFFICULT FOR THE JAPANESE GOVERNMENT TO IMPOSE MINIMUM PRICES OVER AND ABOVE THOSE IT ALREADY SETS, SUPPOSEDLY AS A REFLECTION OF COST INPUTS AND REASONABLE PROFIT. NONETHELESS, GOJ WILL TRY TO ENFORCE PRICES ABOVE THOSE LEVELS. SOURCE SAID HE WAS SPEAKING FRANKLY AND THAT THE PERCENTAGE INCREASE IS NOT YET DETERMINED BUT IT IS LIKELY TO BE SOMEWHERE BETWEEN FIVE AND EIGHT PERCENT. ON POINT B, RESTRICTIONS

TO COUNTRIES EXPERIENCING PARTICULAR DIFFICULTIES, OUR SOURCE EXPRESSED SOME EXASPERATION WITH THE EC. HE SAID THAT MUCH OF THE EC PRESSURE TODAY ON THE JAPANESE HAS BEEN INSPIRED BY EUROPEAN SHIPBUILDERS, AND THE EUROPEAN SHIPPING INDUSTRY, AT LEAST IN SOME COUNTRIES, IS NOW BEGINNING TO EXERT ITS OWN PRESSURE AGAINST MEASURES WHICH IN THE END WILL OBLIGE THEM TO PAY MORE FOR THEIR SHIPS. IN A RECENT CONVERSATION, HE SAID COMMISSIONER DAVIGNON EXPRESSED SOME CONCERN THAT THE JAPANESE PROPOSAL WOULD ALARM EUROPEAN SHIPPING INTERESTS AND WOULD ALSO HAVE A SPLITTING EFFECT ON THE EC, SINCE DISCUSSIONS WOULD TAKE PLACE BETWEEN JAPANESE INDUSTRY REPRESENTATIVES AND THEIR COUNTERPARTS IN INDIVIDUAL MEMBER STATES.

(B) BALL BEARING ANTI-DUMPING DUTIES. JAPANESE MISSION SOURCE CONFIRMED PRESS REPORTS THAT JAPANESE GOVERNMENT HAD BEEN BOTHERED BY EC IMPOSITION OF ANTI-DUMPING DUTIES ON BALL BEARING EXPORTS. HE SAID THAT AMBASSADOR NISHIBORI HAD GONE IN TO SEE COMMISSIONERS HAFERKAMP AND DAVIGNON TO COMPLAIN THAT COMMISSION ACTION HAD DEPARTED

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FROM THE NORMAL SPIRIT OF "DIALOGUE AND COOPERATION" WHICH SHOULD CHARACTERIZE EC-JAPAN RELATIONS. ACCORDING TO HIM, COMMISSION RESPONSE IN PART HAD BEEN THAT MEMBER STATES HAD BEEN CALLING FOR ANTI-DUMPING DUTIES OF BETWEEN 30 AND 40 PERCENT, WITH THE FRENCH ON THE UPPER END, AND THE COMMISSION HAD WORKED HARD TO GET THE DUTY DOWN TO THE 20-10 PERCENT ACTUALLY IMPOSED. BOTH COMMISSIONERS HAD ALSO DENIED THAT THERE WAS ANY COINCIDENCE BETWEEN THE DATE OF THE ANTI-DUMPING DUTY AND THE SHIPBUILDING TALKS IN PARIS. JAPANESE MISSION SOURCE SAID HIS GOVERNMENT CONTINUES TO FIND THE ACTION VERY REGRETTABLE. (FOR WHAT ITS WORTH, DAVIGNON AND OTHER COMMISSION OFFICIALS HAVE ALSO TOLD THE MISSION THAT THE TIMING WAS COINCIDENTAL, FORCED BY INTERNAL DEADLINES IN THE BALL BEARING INVESTIGATION).

(C) EC EXPORTS OF AGRICULTURAL GOODS. ACCORDING TO JAPANESE MISSION, THE TWO DAYS OF TALKS FEBRUARY 7-8 HAD PRODUCED NO PROGRESS AT ALL. THE JAPANESE HAD EXPLAINED THEIR VARIOUS DIFFICULTIES WITH INCREASING IMPORTS IN THE BROAD RANGE OF FOOD PRODUCTS REQUESTED BY THE COMMUNITY. (THESE INCLUDED DAIRY PRODUCTS,

MEAT, ALCOHOLIC BEVERAGES, TOBACCO AND VARIOUS PROCESSED FOODS.) THE COMMISSION HAD WANTED TO HAVE FURTHER TALKS IN TOKYO IN ADVANCE OF THE MARCH 25 EUROPEAN COUNCIL BUT THE JAPANESE WERE UNWILLING TO MEET AGAIN ON THESE QUESTIONS SO SOON. OUR SOURCE INDICATED THAT IT WOULD BE AT LEAST TWO TO THREE MONTHS BEFORE THE JAPANESE WOULD BE ABLE TO MOVE ON ANY OF THESE ITEMS.

(D) SPECIALTY STEEL. ACCORDING TO OUR SOURCE, THE EC HAD ASKED FOR TALKS IN MARCH CONCERNING SHIPMENTS OF JAPANESE SPECIALTY STEEL INTO THE UK. JAPANESE AGREEMENT TO RESTRAIN EXPORTS COVERS PERIOD ONLY UP TO

JUNE 30, 1977. BOTH SIDES HAD ANTICIPATED THE NEED TO MEET SHORTLY BEFORE THAT TO WORK OUT FIGURES FOR THE REST OF THE YEAR. COMMISSION INTEREST IN VERY EARLY TALKS, ACCORDING TO JAPANESE MISSION, LIES IN A DISCREPANCY BETWEEN UK AND JAPANESE FIGURES ON EXPORTS TO THAT COUNTRY OF TOOL STEEL. JAPANESE HAVE NOW OBTAINED EC AGREEMENT TO MEET IN APRIL ON THIS SUBJECT, WHEN LIMITED OFFICIAL USE

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ADDITIONAL STATISTICS WILL BE AVAILABLE.

2. COMMENT: IT IS APPARENT THAT EC IMPOSITION OF ANTI-DUMPING DUTY ON BALL BEARINGS TOOK THE JAPANESE BY SURPRISE. FROM WHAT THEY SAY HERE, THEY HAVE ALSO BEEN UNDER HEAVY PRESSURE FROM THE EUROPEANS TO COME UP WITH OFFERS IN REMAINING AREAS OF DISPUTE IN ADVANCE OF THE MARCH 25 EUROPEAN COUNCIL. THEY APPEAR HOPEFUL THAT THEIR OFFERS IN SHIPBUILDING WILL BE SATISFACTORY AND ARE FOR THE MOMENT AT LEAST NOT INCLINED TO GIVE VERY MUCH ON THE EUROPEAN REQUESTS FOR ACCESS FOR AGRICULTURAL PRODUCTS. HINTON

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